MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T2, 2019/ 2020

BSM7124 – SERVICES MARKETING

(All Sections/ Groups)

20 JANUARY 2020
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consist of **SEVEN (7)** pages (including the cover page).

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

SECTION A: ANSWER ALL THE QUESTIONS (50 marks)

Case Study: Dr Beckett's Dental Office *Lauren Wright*

A dentist seeks to differentiate her practice on the basis of quality. She constructs a new office and redesigns the practice to deliver high quality to her patients and to improve productivity through increased efficiency. However, it's not always easy to convince patients that her superior service justifies higher fees that are not always covered by insurance.

MANAGEMENT COMES TO DENTISTRY

"I just hope the quality differences are visible to our patients," mused Dr. Barbro Beckett as she surveyed the office that housed her well-established dental practice. She had recently moved to her current location from an office she felt was too cramped to allow her staff to work efficiently —a factor that was becoming increasingly important as the costs of providing dental care continued to rise. While Dr. Beckett realized that productivity gains were necessary, she did not want to compromise the quality of service her patients received.

The classes Dr. Beckett took in dental school taught her a lot about the technical side of dentistry but nothing about the business side. She received no formal training in the mechanics of running a business and understanding customer needs. In fact, professional guidelines discouraged marketing or advertising of any kind. That had not been a major problem 22 years earlier, when Dr. Beckett started her practice, for profit margins had been good then. But the dental care industry had changed dramatically. Costs rose as a result of labor laws, malpractice insurance, and the constant need to invest in new equipment and staff training as new technologies were introduced. Dr. Beckett's overhead was now between 70-80 percent of revenues before accounting for her wages or office rental.

At the same time as provider overhead was rising, there was a movement in the United States to reduce health care costs to insurance companies, employers and patients by offering "managed health care" through large Health Maintenance Organizations (HMOs). The HMOs set the prices for various services by putting an upper limit on the amount that their doctors and dentists could charge for various procedures. The advantage to patients was that their health insurance covered virtually all costs. But the price limitations meant that HMO doctors and dentists would not be able to offer certain services that might provide better quality care but were too expensive. Dr. Beckett had decided not to become an HMO provider because the reimbursement rate was only 80-85 percent of what she normally charged for treatment. She felt that she could not provide high-quality care to patients at these rates.

These changes presented some significant challenges to Dr. Beckett, who wanted to offer the highest level of dental care rather than being a low-cost provider. With the help of a consultant, she decided that her top priority was differentiating the practice on the basis of quality. She and her staff developed an internal mission statement that reflected this goal.

Continued...

The mission statement (prominently displayed in the back office) read, in part: "It is our goal to provide superior dentistry in an efficient, profitable manner within the confines of a caring, quality environment."

Since higher quality care was more costly, Dr. Beckett's patients sometimes had to pay fees for costs that were not covered by their insurance policies. If the quality differences were not substantial, these patients might decide to switch to an HMO dentist or another lower—cost provider.

REDESIGNING THE SERVICE DELIVERY SYSTEM

The move to a new office gave Dr. Beckett a unique opportunity to rethink almost every aspect of her service. She wanted the work environment to reflect her own personality and values as well as providing a pleasant place for her staff to work.

Facilities and Equipment

Dr. Beckett first looked into the office spaces that were available in the Northern California town where she practiced. She did not find anything she liked, so she hired an architect from San Francisco to design a contemporary office building with lots of light and space. This increased the building costs by US$100,000 but Dr. Beckett felt that it would be a critical factor in differentiating her service.

Dr. Beckett's new office was Scandinavian in design (reflecting her Swedish heritage and attention to detail). The waiting room and reception area were filled with modern furniture in muted shades of brown, grey, green and purple. Live plants and flowers were abundant, and the walls were covered with art. Classical music played softly in the background. Patients could enjoy a cup of coffee or tea and browse through the large selection of current magazines while they waited for their appointments.

The treatment areas were both functional and appealing. There was a small conference room with toys for children and a VCR that was used to show patients, educational films about different dental procedures. Literature was available here to explain what patients needed to do to maximize the benefits of their treatment outcomes.

The chairs in the examining rooms were covered in leather and very comfortable. Each room had a large window that allowed patients to watch birds eating at the feeders that were filled each day. There were also attractive mobiles hanging from the ceiling to distract patients from the unfamiliar sounds and sensations they might be experiencing. Headphones were available with a wide selection of music.

The entire "back office" staff (including Dr. Beckett) wore uniforms in cheerful shades of pink, purple and blue that matched the office decor. All the technical equipment looked very modern and was spotlessly clean. State-of-the-art computerized machinery was used for some procedures. Dr. Beckett's dental degrees were prominently displayed in her office, along with certificates from various programs that she and her staff had attended to update their technical skills.

Continued...

Service Personnel

There were eight employees in the dental practice, including Dr. Beckett (the only dentist). The seven staff members were separated by job function into "front office" and "back office" workers. Front office duties (covered by two employees) included receptionist and secretarial tasks and financial/ budgeting work. The back office was divided into hygienists and chair side assistants.

The three chair side assistants helped the hygienists and Dr. Beckett with treatment procedures. They had specialized training for their jobs but did not need a college degree. The two hygienists handled routine exams and teeth cleaning plus some treatment procedures. In many dental offices, hygienists had a tendency to act like "prima donnas" because of their education (a bachelor's degree plus specialized training) and experience. According to Dr. Beckett, such an attitude could destroy any possibility of team work among the office staff. She felt very fortunate that her hygienists viewed themselves as part of a larger team that worked together to provide quality care to patients.

Dr. Beckett valued her friendship with staff members and also understood that they were a vital part of the service delivery. "Ninety percent of patients' perceptions of quality comes from their interactions with the front desk and the other employees —not from the staff's technical skills," she Stated. When the dentist began to redesign her practice, she discussed her goals with the staff and involved them in the decision-making process. The changes meant new expectations and routines for most employees, and some were not willing to adapt. There was some staff turnover (mostly voluntary) as the new office procedures were implemented. The current group worked very well as a team.

Dr. Beckett and her staff met briefly each morning to discuss the day's schedule and patients. They also had longer meetings every other week to discuss more strategic issues and resolve any problems that might have developed. During these meetings, employees made suggestions about how to improve patient care. Some of the most successful staff suggestions include: "thank-you" cards to patients who referred other patients; follow-up calls to patients after major procedures; a "goodie box" for patients including toothbrush, toothpaste, mouthwash and floss; buckwheat pillows and blankets for patient comfort during long procedures; coffee and tea in the waiting area; and a photo album in the waiting area with pictures of staff and their families.

The expectations for staff performance (in terms of both technical competence and patient interactions) were very high. But Dr. Beckett provided her employees with many opportunities to update their skills by attending classes and workshops. She also rewarded their hard work by giving monthly bonuses if business had been good. Since she shared the financial data with her staff, they could see the difference in revenues if the schedule was slow or patients were dissatisfied. This provided an extra incentive to improve service delivery. The entire office also goes on trips together once a year (paid for by Dr. Beckett); spouses were welcome to participate but had to cover their own trip expenses. Past destinations for these excursions had included Hawaii and Washington, D.C.

Continued...

Procedures and Patients

With the help of a consultant, all the office systems (including billing, ordering, lab work and patient treatment) were redesigned. One of the main goals was to standardize some of the routine procedures so that error was reduced and all patients would receive the same level of care. Specific times were allotted for each procedure and the staff worked very hard to see that these times were met. Office policy specified that patients should be kept waiting no longer than 20 minutes without being given the option to reschedule, and employees often called patients in advance if they knew there would be a delay. They also attempted to fill in cancellations to make sure office capacity is maximized. Staff members would substitute for each other when necessary or help with tasks that were not specifically in their job descriptions in order to make things run more smoothly.

Dr. Beckett's practice included about 2000 "active" patients (and many more who came infrequently.) They were mostly white collar workers with professional jobs (university employees, health care workers and managers/owners of local establishments.) She did no advertising — all of her new business came from positive word of mouth by current patients.

The dentist believed that referrals were a real advantage because new patients did not come in "cold." She did not have to sell herself because they had already been told about her service by friends or family. All new patients were required to have an initial exam so that Dr. Beckett could do a needs assessment and educate them about her service. She believed this was the first indication to patients that her practice was different from others they might have experienced. Patients might sometimes have to wait another 3-4 months for a routine cleaning and exam because the schedule was so busy, but they did not seem to mind.

THE BIGGEST CHALLENGE

"Redesigning the business was the easy part," Dr. Beckett sighed. "Demonstrating the high level of quality to patients is the hard job." She said this task was especially difficult since most people disliked going to the dentist or felt that it was an inconvenience and so came in with a negative attitude. Dr. Beckett tried to reinforce the idea that quality dental care depended on a positive long-term relationship between patients and the dental team. This philosophy was reflected in a section of the patient mission statement hanging in the waiting area: "We are a caring, professional dental team serving motivated, quality-oriented patients interested in keeping healthy smiles for a lifetime. Our goal is to offer a progressive and educational environment. Your concerns are our focus."

Although Dr. Beckett enjoyed her work, she admitted it could be difficult to maintain a positive attitude. The job required precision and attention to detail, and the procedures were often painful for patients. She often felt as though she were "walking on eggshells" because she knew patients were anxious and uncomfortable, which made them more critical of her service delivery. It was not uncommon for patients to say negative things to Dr. Beckett even before treatment began (such as, "I really hate going to the dentist — it's not you, but I just don't want to be here.'"). When this happened, she reminded herself that she was providing quality service whether patients appreciated it or not. "The person will usually have to have the dental work done anyway," she remarked, "So I just

Continued...

do the best job I can and make them as comfortable as possible." Even though patients seldom expressed appreciation for her services, she hoped that she had made a positive difference in their health or appearance that would benefit them in the long run.

QUESTION ONE

Which of the seven elements of the services marketing mix are addressed in this case? Give examples of each "P" you identify. (10 marks)

QUESTION TWO

Why do people dislike going to the dentist? Do you feel that Beckett has addressed the problem effectively? (10 marks)

QUESTION THREE

How do Beckett and her staff educate patients about the service they are receiving? What else could they do? (10 marks)

QUESTION FOUR

What supplementary services are offered? How do they enhance service delivery? (10 marks)

QUESTION FIVE

Contrast your own dental care experiences with those offered by Beckett's practice. What differences do you see? Based on your review of this case, what advice would you give (a) to your current or former dentist and (b) to Dr. Beckett? (10 marks)

Continued...

SECTION B: ANSWER ALL THE QUESTIONS (50 marks)

QUESTION ONE

Provide an example of a service industry where customers are involved in co-production and explain the implications and marketing-related tasks that would be associated with that service. (10 marks)

QUESTION TWO

Consider a service of your choice and develop an effective pricing schedule that service marketers need to ask themselves as they prepare to create and implement a well-thought-out price strategy. (10 marks)

QUESTION THREE

Explain the dimensions of the ambient conditions and how each can influence customer reponses to the service environment towards a newly opened restaurant. (10 marks)

QUESTION FOUR

Select a service firm and discuss the five approaches that can be used to manage demand at different points in the cycle of demand. (10 marks)

QUESTION FIVE

Identify the possible behavior of jaycustomers for a service of your choice. How can the service process be designed to minimize or control the behavior of jaycustomers? (10 marks)

End of Paper